

WASHINGTON (April 6) – Reforms to Fannie Mae and Freddie Mac were approved by a House Financial Services Committee subcommittee today. Congressman Spencer Bachus (AL-6) is Chairman of the Full Committee.

The Capital Markets and Government Sponsored Enterprises Subcommittee approved eight bills that provide for immediate reforms to protect taxpayers by fundamentally reforming Fannie Mae and Freddie Mac. The bills include reforms that suspend lavish compensation for executives at Fannie Mae and Freddie Mac, eliminate the affordable housing goals, increase the guarantee fees, and prohibit new activities. The approval of the eight bills marks the first time since the two government sponsored enterprises were bailed out that Congress has taken action to reform Fannie Mae and Freddie Mac. Fannie and Freddie were bailed out in 2008, and since then have drawn on \$150 billion in taxpayer support. The eight bills approved today by the Subcommittee will now be sent to the Financial Services Committee for consideration.

Subcommittee Chairman Scott Garrett said, “The passage of these eight bills represents an important milestone in our ongoing effort to end the bailout of Fannie Mae and Freddie Mac, protect taxpayers from further losses and level the playing field so that the private sector can reenter the marketplace. I appreciate all of the effort my colleagues put into these bills and I look forward to working closely with them as we advance them through the full committee and then to the House floor.”

Financial Services Committee Chairman Spencer Bachus said, “It was 31 months ago that Fannie Mae and Freddie Mac were bailed out by the taxpayers, and for far too long Congress has refused to do anything about it. The Subcommittee today acted to protect taxpayers from the unlimited bailout of Fannie Mae and Freddie Mac. This is the beginning of our efforts to get Fannie and Freddie off the backs of taxpayers, build a stronger housing finance system, and eliminate government guarantees in the mortgage market.”

□ The bills approved by the Capital Markets Subcommittee are:

H.R. 1223, the GSE Credit Risk Equitable Treatment Act. The legislation, introduced by Capital Markets Subcommittee Chairman Scott Garrett, helps clarify the risk retention rules required under Section 941 of the Dodd-Frank Act to make clear that Fannie Mae and Freddie Mac will be held to the same standards as any other secondary mortgage market participants.

A GSE loan purchase or asset-backed security issuance would not affect the status of the underlying assets. The legislation was unanimously approved with a vote of 34-0.

H.R. 1221, the Equity In Government Compensation Act. The legislation, introduced by Chairman Bachus, suspends the compensation packages for executives of Fannie Mae and Freddie Mac and places all other employees on the General Schedule pay scale. Since September 2008 when Fannie Mae and Freddie Mac entered Federal conservatorships, the Federal Housing Finance Authority has approved multi-million dollar compensation packages for the GSEs' top executives. A report released on Thursday by the Inspector General of the FHFA found that the six top executives at Fannie and Freddie were paid \$35.4 million since the taxpayers bailed out the GSEs. The legislation was approved on a vote of 27-6.

H.R. 1224, the Portfolio Risk Reduction Act. The legislation, introduced by Financial Services Committee Vice Chairman Jeb Hensarling, accelerates and formalizes the reduction in the size of the GSEs' portfolios. As of January 2011, Fannie Mae retained portfolio was \$777.059 billion, and Freddie Mac retained portfolio was \$694.846 billion. The legislation would cap the GSEs portfolios to no more than \$700 billion in the first year, declining to \$600 billion for year two, \$475 billion for year three, \$350 billion for year four, and finally to \$250 billion in year five. The legislation was approved on a vote of 24-14.

H.R. 1222, the GSE Subsidy Elimination Act. The legislation, introduced by Oversight and Investigations Subcommittee Chairman Randy Neugebauer, requires that FHFA gradually increase guarantee fees at Fannie Mae and Freddie Mac over the next two years. Under the legislation, the FHFA will consider the market conditions in raising the GSEs' guarantee fees to ensure that its actions do not disrupt a housing recovery. The legislation was approved on a vote of 25-9.

H.R. 1226, the GSE Mission Improvement Act. For years, the Federal government used the GSEs to make homeownership available to people who posed a greater credit risk and would not have otherwise been able to obtain mortgage credit. GSE-manufactured demand boosted home prices to artificially high levels and fostered enthusiasm for the wave of exotic mortgage products that began to flood the market. In light of the risks created by requiring the GSEs to promote affordable homeownership, this bill repeals the GSEs' affordable housing goals. The legislation is sponsored by Rep. Ed Royce. The legislation was approved on a voice vote.

H.R. 31, the Fannie Mae and Freddie Mac Accountability And Transparency For

Taxpayers Act. The legislation, introduced by Insurance, Housing and Community Opportunity Subcommittee Chairman Judy Biggert, enhances the authority of FHFA's Inspector General and expands reporting requirements to Congress. The legislation was approved on a voice vote.

H.R. 1227, the GSE Risk and Activities Limitation Act. The legislation, introduced by Rep. David Schweikert, prohibits the GSEs from offering, undertaking, transacting, conducting or engaging in any new business activities while in conservatorship or receivership. This restriction will reduce Fannie Mae's and Freddie Mac's market dominance and limit their size. The legislation was approved on a voice vote.

H.R. 1225, the GSE Debt Issuance Approval Act. The legislation, introduced by Rep. Steve Pearce, requires the Treasury Department to approve any new debt issuance by the GSEs. If Treasury approves a debt issuance, it must explain and justify its decision to Congress and the FHFA within seven days. The legislation limits the amount of GSE risk taking. The legislation was approved on a vote of 18-0-1.

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